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IPG to Partner With Facebook

Brian Morissey, Adweek, with Andrew McMains and Kathleen Sampey

JUNE 16, 2006 -

Interpublic Group is in final negotiations of a partnership deal with hot social networking site Facebook that would give the agency group a small piece of the operation, the companies confirmed.

The pact, which could be completed in the next week, calls for IPG to spend up to \$10 million for clients on Facebook in exchange for a .5 percent stake in the startup, sources said. Such a deal would give IPG opportunities beyond display advertising to include IPG mining Facebook for market research trends among its young user base, according to sources.

"Consumer insight is a key strategic initiative for us and working with Facebook will allow us to deliver valuable understanding of the elusive youth market," Howard Draft, CEO of Draft FCB Group, said in a statement. (Draft is involved in the talks for IPG.)

The size of the investment could clarify Facebook's valuation. In April, Business Week reported the company turned down a \$750 million offer, looking for \$2 billion instead. The IPG investment would imply a \$2 billion valuation for the Palo Alto, Calif., company.

Started by Harvard college student Mark Zuckerberg in February 2004, Facebook quickly became a fixture at campuses nationwide, giving students the chance to connect with one another through profile pages. In May, it drew 14 million visitors, according to ComScore, more than double a year ago, ranking as the No. 7 site online in terms of page views. Its status as a fixture of college life was confirmed this

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month by a Student Monitor survey that found Facebook tied with beer as the most "in" item of college life, trailing only Apple's iPod.

Linking up with IPG could further Facebook's development of an ad model. The site has not concentrated on advertising, relying on third-party ad networks for many of the placements on its site.

"With this focus, we will be able to deliver more innovative advertising solutions to all marketers," Mike Murphy, vp of sales at Facebook, said in a statement. "We look forward to working with a partner whose values match so well with our own."

Zuckerberg has spoken of developing an ad model for Facebook that does not rely solely on banner executions. Facebook's 7.5 million members contribute valuable user data in their profiles, detailing their favorite bands, books and hobbies. Facebook also has affinity groups, including some sponsored by brands, where users post feedback. Apple, for example has a group that offers product deals and solicits user discussion.

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